

Message Text

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C O N F I D E N T I A L STATE 103811

EXDIS

E.O. 11652: GDS

TAGS: EAIR, NL

SUBJECT: CIVAIR - KLM ISSUE

1. FOLLOWING IS TEXT OF POSSIBLE U.S. STATEMENT MENTIONED
SEPTEL THIS SUBJECT:

THE U.S. HAS TAKEN THE VIEW THAT THE CAPACITY MOUNTED BY
KLM DEPRIVES U.S. AIRLINES OF A FAIR AND EQUAL
OPPORTUNITY TO COMPETE FOR TRAFFIC BETWEEN THE U.S. AND
THE NETHERLANDS BECAUSE IT IS DESIGNED TO CARRY AN
EXCESSIVE PROPORTION OF SO-CALLED SIXTH FREEDOM OR THIRD
COUNTRY TRAFFIC, AND THAT THEREFORE, KLM IS OPERATING
INCONSISTENTLY WITH THE US-NETHERLANDS AIR TRANSPORT
AGREEMENT. IT HAS SOUGHT AN AGREEMENT WITH THE NETHERLANDS
GOVERNMENT FOR A REDUCTION IN KLM'S CAPACITY TO A LEVEL
WHICH MIGHT BRING ITS OPERATIONS INTO CONFIRMITY WITH THE
PROVISIONS OF THE BILATERAL AGREEMENT. AS IS KNOWN, THE
U.S. HAS TAKEN A SIMILAR VIEW WITH RESPECT TO THE CAPACITY
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OF SEVERAL OTHER FOREIGN AIRLINES OPERATING IN THE NORTH

ATLANTIC, AND CAPACITY REDUCTIONS HAVE BEEN EFFECTED VOLUNTARILY IN SOME OF THESE OTHER SITUATIONS.

IT HAS NOT BEEN POSSIBLE, HOWEVER, FOR THE U.S. AND NETHERLANDS GOVERNMENTS TO AGREE ON AN ACCEPTABLE LEVEL OF KLM CAPACITY, DESPITE SIGNIFICANT US CONCESSIONS. THE U.S. RECOGNIZES THE VITAL IMPORTANCE WHICH THE NETHERLANDS GOVERNMENT AND THE DUTCH PEOPLE ATTACH TO KLM, AND IT HAS NO WISH TO DAMAGE THIS VITAL INTEREST. AT THE SAME TIME, HOWEVER, THE U.S. MUST PROTECT ITS OWN LEGITIMATE AVIATION INTERESTS AND RETURN NORTH ATLANTIC AIR TRANSPORT TO VIABILITY, PARTICULARLY IN LIGHT OF THE SEVERE STRAINS AND FINANCIAL BURDENS WHICH SEVERAL U.S. AND FOREIGN AIRLINES FACE.

THE U.S. ACCEPTS THAT AN AGREEMENT ON KLM CAPACITY IS NOT POSSIBLE AT THIS TIME. IT WILL, HOWEVER, CLOSELY MONITOR THE FREQUENCIES KLM WILL OPERATE AND IT CAN VIEW SIGNIFICANT KLM CAPACITY REDUCTIONS AS AN ENCOURAGING SIGN. THE SIXTH FREEDOM QUESTION IS ONE OF THE ISSUES BEING CONSIDERED BY U.S. AGENCIES IN THEIR OVERALL REVIEW OF U.S. INTERNATIONAL AVIATION POLICY EXPECTED TO BE COMPLETED THIS SUMMER WHICH MAY RESULT IN RESTRUCTURING OF U.S. AIR TRANSPORT RELATIONS. SHOULD SIGNIFICANT POLICY CHANGES OCCUR, THE U.S. MAY DECIDE TO RENEGOTIATE SOME BILATERAL AIR TRANSPORT AGREEMENTS.

IN LIGHT OF DEVELOPMENTS REGARDING KLM CAPACITY AND THE RESULTS OF THE U.S. POLICY REVIEW, THE U.S. WILL CONTINUE TO PURSUE THE QUESTION OF KLM CAPACITY WITH THE NETHERLANDS GOVERNMENT. END TEXT.

2. FOLLOWING, THE LIST OF PROPOSED POINTS FOR A DUTCH STATEMENT:

A. REGRET AGREEMENT NOT POSSIBLE AT THIS TIME.

B. GON DOES NOT SHARE U.S. VIEW THAT IT IS IN VIOLATION OF AGREEMENT. IT HAS NEVERTHELESS MADE AN EFFORT TO ACCOMMODATE U.S. VIEWS AND CONCERNS.
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C. GON APPRECIATES U.S. UNDERSTANDING OF GON VIEWS AND OF THE IMPORTANCE OF KLM TO NETHERLANDS. GON FURTHER APPRECIATES U.S. DECISION NOT TO ACT UNILATERALLY AGAINST KLM THIS SUMMER.

D. KLM WILL BE CONSCIOUS OF TRAFFIC DEVELOPMENTS AND IN THIS CONNECTION WILL REDUCE CAPACITY AS NEEDED. (DETAILS

TO BE GIVEN).GON HAS NO WISH TO EXACERBATE AIR
TRANSPORT PROBLEMS IN NORTH ATLANTIC.

E. GON IS PREPARED TO RESUME NEGOTIATIONS WITH USG
AT THE APPROPRIATE TIME AND WILL FOLLOW WITH INTEREST
RESULTS OF U.S. POLICY REVIEW.

3. WE ASSUME THAT, IN GIVING DETAILS OF KLM REDUCTIONS
(PARA 2(D) ABOVE), DUTCH STATEMENT WILL EXPLICITLY REFER
TO REDUCTION IN "PUBLISHED" SCHEDULES. KISSINGER

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